

Xceleron Inc.

Financial Statements December 31, 2001

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March 13, 2002

Auditors' Report

To the Shareholders of
Xceleron Inc.

We have audited the balance sheets of **Xceleron Inc.** as at December 31, 2001 and November 21, 2000 and the statements of loss and deficit and cash flows for the period from November 22, 2000 to December 31, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and November 21, 2000 and the results of its operations and its cash flows for the period from November 22, 2000 to December 31, 2001 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

Xceleron Inc.

Balance Sheet

	December 31, 2001 \$	November 21, 2000 \$
Assets		
Current assets		
Cash	351,475	120,000
Accounts receivable	1,717	-
	<hr/>	<hr/>
	353,192	120,000
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Liabilities		
Current liabilities		
Accounts payable	885	-
Shareholders' equity		
Share capital (note 2)	382,000	120,000
Deficit	(29,693)	-
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	353,192	120,000
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Approved by the Board of Directors

Director

Director

Xceleron Inc.

Statement of Loss and Deficit

For the period from November 22, 2000 to December 31, 2001

	\$
Revenue	
Interest	6,457
Expenses	
General and administrative	8,687
Professional fees	<u>27,463</u>
	<u>36,150</u>
Net loss for the period and Deficit – end of period	<u>(29,693)</u>

Xceleron Inc.

Statement of Cash Flows

For the period from November 22, 2000 to December 31, 2001

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period	(29,693)
Change in non-cash working capital	<u>(832)</u>
	<u>(30,525)</u>
Financing activities	
Issue of share capital	300,000
Share issue costs	<u>(38,000)</u>
	<u>262,000</u>
Increase in cash	231,475
Cash – beginning of period	<u>120,000</u>
Cash – end of period	<u>351,475</u>
Supplementary information	
Interest received	6,457

Xceleron Inc.

Notes to Financial Statements

December 31, 2001

1 Incorporation and basis of presentation

Xceleron Inc. (the "corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on November 21, 2000 and is classified as a Capital Pool Company as defined in Policy 2.4 of the Canadian Venture Exchange Inc. The corporation proposes to identify and evaluate corporations, businesses or assets for acquisition, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

On July 31, 2001 the corporation's shares commenced trading on the Canadian Venture Exchange Inc.

2 Share capital

a) Authorized

Unlimited number of common shares

Unlimited number of preferred shares, issuable in series

The directors of the corporation are authorized to determine the designation, rights, privileges, restrictions and conditions attaching to all of the preferred shares.

b) Issued

	<u>Number</u>	<u>Amount</u>
Common shares:		
Issued for cash and Balance – November 21, 2000	1,200,000	120,000
Issued for cash on initial public offering	1,500,000	300,000
Share issue costs	-	(38,000)
		<hr/>
Balance – December 31, 2001	2,700,000	382,000

Under the requirements of the Canadian Venture Exchange Inc., 1,200,000 common shares will be held in escrow and released as to 10% thereof on the completion of the Corporation's Qualifying Transaction and as to 15% thereof on each of the 6, 12, 18, 24, 30 and 36 months following the initial release.

c) Stock options

The corporation has adopted the stock option program of the Canadian Venture Exchange Inc. for the directors and officers and has reserved 270,000 common shares at a price of \$0.20 per share for stock options to be granted to its directors and officers. The options will expire on the earlier of five years from the date of grant and one year following the date the optionee ceases to be a director or hold an office of the corporation by reason of death, or 90 days after ceasing to be a director or officer for any reason other than death.

The corporation's agent was granted a non-transferable option to purchase 150,000 common shares of the corporation at \$0.20 per common share. The option will expire 18 months from the date the corporation's common shares were listed on the Canadian Venture Exchange Inc., which was July 31, 2001.

